

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 SS-15 COME-00 EB-07 OES-03 USIA-06 CU-02

XMB-02 MMS-01 SP-02 CIAE-00 INR-07 NSAE-00 DODE-00

NSC-05 /063 R

DRAFTED BY EUR/EE:APBRAINARD:DG

APPROVED BY C:HSOHNENFELDT

EUR/EE:CBROWN EUR/EX:ARATTRAY

EUR:JAARMITAGE

COMM:EEA/EWT:LLEWENS

EB/ITP/EWT:JBEMIS

SCI/SA:OHGANLEY

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R 142056Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY WARSAW

S E C R E T STATE 165218

E.O. 11652: GDS

TAGS: PFOR, PL, US

SUBJECT: ANNUAL POLICY ASSESSMENT FOR POLAND

REF: WARSAW 1832

1. AN INTERAGENCY GROUP REVIEWED ON JUNE 25 THE EMBASSY'S ANNUAL POLICY ASSESSMENT FOR POLAND. WE COMMEND THE EMBASSY ON A THOROUGH AND THOUGHTFUL SUBMISSION. OUR COMMENTS ABOUT THE GENERAL POLICY OBJECTIVES AND PROPOSED COURSES OF ACTION DURING 1975 FOLLOW.

2. U.S. STRATEGY-WHAT WE ARE SEEKING IN EASTERN EUROPE IS
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A GRADUAL DEVELOPMENT OF ALTERNATIVES TO OVERRIDE SOVIET INFLUENCE OVER THE NATIONS OF THE AREA. NSDM 212 PROVIDES THE OVERALL US STRATEGY AND WE ARE CONTINUING TO FOLLOW ITS PRIORITIES.

3. WITHIN THIS FRAMEWORK, OUR GOAL WILL BE TO UTILIZE OPPORTUNITIES AND RESOURCES AT OUR DISPOSAL, INCLUDING THE VARIOUS ASPECTS OF DETENTE, TO SATISFY THE MUTUAL EASTERN EUROPEAN-US INTEREST IN FURTHER DEVELOPMENT OF RELATIONS. MOST OF OUR EFFORTS WILL BE EXTENDED THROUGH OUR BILATERAL RELATIONS WITH INDIVIDUAL COUNTRIES. MULTILATERAL UNDERTAKINGS, SUCH AS IMPLEMENTATION OF CSCE DECISIONS AND

CONTINUATION OF THE MBFR NEGOTIATIONS, WILL ALSO PLAY A ROLE.

4. IN ALL CASES, OUR POLICIES IN EASTERN EUROPE WILL HAVE TO BE COORDINATED CAREFULLY WITH OUR OVERALL INTERESTS IN EUROPE, BOTH EAST AND WEST. THE SOVIETS WILL WATCH OUR ACTIVITIES CLOSELY AND WILL UNDOUBTEDLY REACT IF THEY FEEL WE ARE PUSHING THINGS TOO FAR. IN THE WEST, SEVERAL OF OUR MAJOR ALLIES, MOST PROMINENTLY THE FRG, ALSO HAVE IMPORTANT INTERESTS IN THE AREA.

5. POLICY OBJECTIVES. WE AGREE WITH THE EMBASSY THAT OUR POLICY OBJECTIVES AS STATED IN EUROPARA POLAND 1973 REMAIN VALID. THE INTENSIVE AND EXTENSIVE DEVELOPMENT OF BILATERAL RELATIONS SINCE PUBLICATION OF THE EUROPARA ARGUES STRONGLY FOR THE VALIDITY OF THESE OBJECTIVES. RECENT EVENTS OVER WHICH WE HAVE LITTLE CONTROL, HOWEVER, ARE WORRYING. THESE INCLUDE (1) THE INTERNATIONAL ENERGY CRISIS, WHICH AT FIRST GLANCE WOULD INCREASE POLISH DEPENDENCE ON THE SOVIET UNION, (BUT, IN FACT, MAY BE HAVING THE OPPOSITE EFFECT, AS THE EMBASSY SUGGESTED IN MAY); (2) RECURRING FOOD SHORTAGES IN POLAND COUPLED WITH RAPIDLY RISING EXPECTATIONS ON THE PART OF THE POLISH PEOPLE; AND (3) THE VERY SIGNIFICANT ORGANIZATIONAL CHANGES WHICH THE POLISH GOVERNMENT IS NOW IMPLEMENTING. INVOLVED IN EACH OF THESE ISSUES IS THE CONTINUING ABILITY OF THE GIEREK TEAM TO SURVIVE POLITICALLY. WE AGREE THAT IT IS IN THE INTERESTS OF THE UNITED STATES AT THIS SECRET

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TIME TO DO NOTHING WHICH WOULD ADD TO GIEREK'S DIFFICULTIES AT THE SAME TIME WE SHOULD ASSIST HIM ALONG HIS WAY WITHOUT BRINGING DOWN SOVIET DISPLEASURE. WE DO NOT EXPECT GIEREK AT THIS TIME TO VIOLATE SOVIET NATIONAL INTERESTS, BUT RATHER TO DEFINE FOR HIMSELF JUST WHAT THESE INTERESTS ARE AND TO ACT ACCORDINGLY.

6. WE ARE ENCOURAGED BY THE APPARENT POLISH DETERMINATION TO CONTINUE THE RAPID INCREASE IN BILATERAL TRADE. NOT ONLY DOES SUCH TRADE BENEFIT OUR BALANCE OF PAYMENTS, BUT IT ALSO ACTS AS A COUNTERWEIGHT TO SOVIET AND OTHER WARSAW PACT INFLUENCES ON THE POLISH ECONOMY AND AMONG POLISH ECONOMIC LEADERS. FURTHERMORE, BY FACILITATING THE DEVE-

DEVELOPMENT OF POLISH ECONOMIC PRAGMATISM WE ARE HELPING TO CHALLENGE THE CLAIM THAT MARXISM-LENINIST IDEOLOGY IS A PRESCRIPTION FOR RAPID DEVELOPMENT, ESPECIALLY IN THOSE COUNTRIES WHICH HAVE ACHIEVED A MEASURE OF INDUSTRIALIZATION AND ARE MOVING ON TO A HIGHER LEVEL USING MODERN ADVANCED TECHNOLOGY. (INCREASINGLY, INCIDENTALLY, LEADING AMERICAN ACADEMICS ON POLAND ARE ARGUING THAT MARXISM-LENINISM IS DEAD AS A MOTIVATING AND GUIDING FORCE IN

POLAND AND HAS BEEN REDUCED TO THE STATUS OF A STATE RELIGION AND A FORMAL IDEOLOGICAL FRAMEWORK FOR CEMA COOPERATION.) FURTHER, AS THE POLES BECOME EVER MORE DEPENDENT ON THE UNITED STATES AND THE WEST IN GENERAL FOR FUTURE ECONOMIC GROWTH, MODERATING INFLUENCES ON THEIR PRO-SOVIET FOREIGN POLICY WILL EMERGE.

7. WE ARE GENERALLY SATISFIED WITH THE EXPANDING U.S. CULTURAL AND INFORMATIONAL PRESENCE IN POLAND. THERE IS SOME CONCERN, HOWEVER, THAT THE CONTINUED DEVELOPMENT OF THIS PRESENCE COULD BE JEOPARDIZED IF THE POLES ARE NOT ALSO ABLE TO EXPAND THEIR CULTURAL PRESENCE IN THE UNITED STATES BECAUSE OF REASONS ESSENTIALLY UNDER POLISH CONTROL. WE ARE PLEASED THAT SCIENTIFIC AND TECHNOLOGICAL COOPERATION IS INCREASING AT A VERY FAST PACE AND WITH NEW SECTORS OF THE POLISH SCIENTIFIC AND TECHNOLOGICAL ESTABLISHMENT. THERE IS SOME FEELING OF DISQUIET IN WASHINGTON, HOWEVER, THAT RAPID TECHNOLOGICAL TRANSFERS ARE OCCURRING OF BENEFIT TO THE EASTERN EUROPEAN COUNTRIES IN GENERAL
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AND THAT THE U.S. IS RECEIVING TOO LITTLE IN RETURN. THIS WILL BE A SUBJECT OF CONSIDERABLE DISCUSSION IN THE MONTHS AHEAD, AND IT COULD AFFECT SOME OF OUR SCIENTIFIC COOPERATION IN POLAND IN THE FUTURE.

8. WE ARE PLEASED THAT PEOPLE-TO-PEOPLE CONTACTS BETWEEN BOTH COUNTRIES CONTINUE TO INCREASE. WE ARE, HOWEVER, DISAPPOINTED ABOUT POLISH PERFORMANCE ON EMIGRATION POLICY IN GENERAL AND SPECIFICALLY ABOUT THE POLES' FAILURE TO MOVE MORE RAPIDLY ON DIVIDED FAMILIES CASES. WE ARE APPREHENSIVE THAT THE DIVIDED FAMILIES ISSUE COULD MOVE FROM THE STATUS OF AN IRRITANT IN BILATERAL RELATIONS TO THAT OF A PROBLEM.

9. IN DISCUSSING US STRATEGY AND POLICY OBJECTIVES, THE GROUP RAISED A NUMBER OF QUESTIONS WHICH MIGHT USEFULLY SERVE AS A GUIDE FOR FUTURE EMBASSY REPORTS.

A. WHY HAVE THE SOVIETS ALLOWED THE POLES TO DO AS MUCH AS THEY HAVE DONE TO REGULARIZE THEIR RELATIONS WITH US? HOW MUCH FURTHER CAN GIEREK GO WITHOUT BEING BROUGHT UP SHORT BY THE SOVIETS?

B. WHAT WOULD BE THE EFFECT ON BILATERAL RELATIONS IF

THERE WERE TO BE A REPETITION OF DECEMBER 1970 EVENTS?
DOES THE NEW ADMINISTRATIVE REFORM STRENGTHEN GIEREK'S
POSITION; WHAT IF THE REFORM DOES NOT SHOW SIGNIFICANT
ECONOMIC RESULTS WITHIN SIX MONTHS?
C. WHAT IS LIKELY TO COME OUT OF THE 7TH PARTY CONGRESS
IN TERMS OF FURTHER INSTITUTIONAL AND PERSONNEL CHANGES?
D. WILL CSCE AFFECT OUR BILATERAL RELATIONS WITH POLAND?
WILL BASKET III RESULTS ALLOW THE POLES TO MOVE ON THE

EMIGRATION QUESTION WITH THE FRG?

E. WHAT HAVE THE POLS BEEN DOING ON MBFR? WOULD THERE ' BE UTILITY IN HAVING BILATERAL PRIVATE TALKS ON MBFR IN WARSAW?

F. IS POLAND STARTING TO GET INTO A CREDIT CRUNCH WHICH WOULD LIMIT FURTHER EXPANSION OF BILATERAL TRADE? WHAT ARE THE FACTORS ON OUR SIDE WHICH MIGHT LIMIT FURTHER BILATERAL TRADE EXPANSION? ARE THE POLES PUTTING LIMITS ON THEIR TRADE WITH THE FRG?

G. WHAT EFFECTS HAS THE INTERNATIONAL ENERGY CRISIS HAD
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ON POLISH ECONOMIC RELATIONS WITH THE USSR AND WITH OTHER WARSAW PACT COUNTRIES? ARE THERE POLITICAL OVERTONES IN TERMS OF INTRA-PACT RELATIONS COMING OUT OF THE ENERGY CRISIS?

H. HAS POLAND CAUGHT UP ECONOMICALLY WITH THE GDR?

10. BILATERAL RELATIONS. WE JUDGE THAT THE FRB PRESENTLY NO BILATERAL POLITICAL PROBLEMS AND THAT THE ECONOMIC TENSIONS WE SEE ARE THE RESULT OF 'AT THE EXPANSION OF OUR RELATIONS OVER THE PAST TWO TO THREE YEARS. THESE TENSIONS ARE BEING DEALT WITH IN A COOPERATIVE SPIRIT BY BOTH SIDES.

11. OUR TOP-LEVEL AND WORKING-LEVEL CONTACTS WITH POLAND ARE FREQUENT, REASONABLY CORDIAL AND PRODUCTIVE. THE POSITIVE POLITICAL ATMOSPHERE PRODUCED BY THESE CONTACTS HAS PERMITTED US TO SOLVE A NUMBER OF PRACTICAL PROBLEMS AND TO FACILITATE OUR EXPORTS. WE ARE PLEASED THAT MACHINE INDUSTRY MINISTER WRZASZCZYK WAS RECENTLY IN THE UNITED STATES AND THAT AGRICULTURE MINISTER BARCIKOWSKI WILL VISIT THE UNITED STATES IN SEPTEMBER. WE NOTE THAT DR. STEVER HAS INVITED SCIENCE AND TECHNOLOGY MINISTER KALISKI AND HOPEFULLY, THIS VISIT CAN TAKE PLACE EARLY IN 1976. WE WOULD VERY MUCH LIKE TO HOST CHEMICAL MINISTER WIROWSKI, BUT BEFORE PROMOTING A VISIT BY VICE PREMIER TEJCHMA, WE WILL NEED MORE INFORMATION ABOUT HIS POLITICAL FUTURE.

12. ON THE U.S. SIDE, SECRETARY OF COMMERCE MORTON WILL GO TO POLAND IN OCTOBER AND WE HOPE THAT INTERIOR SECRETARY HATHAWAY WILL BE ABLE SHORTLY THEREAFTER TO TAKE UP HIS

OUTSTANDING POLISH INVITATION. WE ARE OPEN TO SUGGESTIONS ABOUT WHICH OTHER U.S. CABINET-LEVEL OFFICERS COULD USEFULLY VISIT POLAND.

3. THE POLES PERCEIVE THAT THEY ARE NOT ABLE TO EXPAND OR EVEN IMPLEMENT SOME OF THEIR CULTURAL AND INFORMATIONAL ACTIVITIES IN THE U.S. THIS WORRY WAS EXPRESSED BY THE GOP IN LAST YEAR'S CULTURAL DIALOGUE HELD IN WARSAW. THE DEPARTMENT AND USIA AS WELL AS THE EMBASSY SHOULD CONTINUE (WHEN ASKED BY THE GOP) TO FACILITATE AS APPROPRIATE THE POLISH EFFORT IN THE U.S.

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14. POLISH TRADE. WE AGREE WITH EMBASSY'S ASSESSMENT THAT POLISH TRADE DEFICIT IS INCREASING IMPORTANT FACTOR IN PURCHASING DECISIONS, AND WOULD APPRECIATE EMBASSY'S FOLLOW-UP WITH RECOMMENDATIONS FOR NEW SALES STRATEGIES WHICH MIGHT BE TRIED BY U.S. EXPORTERS. WE BELIEVE IMPROVEMENT IN BUSINESS FACILITIES IS BEST WAY TO ENCOURAGE INCREASED U.S. COMMERCIAL PRESENCE AND EFFORTS TO THIS END SHOULD BE PURSUED ENERGETICALLY THRU THE JOINT COMMISSION, ECONOMIC COUNCIL, AND OTHER CHANNELS AS APPROPRIATE. REQUEST EMBASSY RECOMMENDATIONS FOR HANDLING BUSINESS FACILITIES AT NEXT JOINT COMMISSION SESSION. IT APPEARS TO US THAT UNDER PRESENT CONDITIONS ONLY MAJOR INVOLVEMENT IN POLISH PROJECTS AND SUBSTANTIAL SALES WARRANT COMMITMENT OF RESOURCES REQUIRED FOR A COMPANY OFFICE. WOULD APPRECIATE EMBASSY REVIEW OF HOW MANY AND WHICH ADDITIONAL COMPANIES COULD REASONABLY NEED POLISH OFFICES.

15. AGRICULTURAL COOPERATION. SIGNING OF THE JOINT STATEMENT ON DEVELOPMENT OF AGRICULTURAL TRADE ON OCTOBER 8, 1974 FORMALIZED EXISTING U.S.-POLISH COOPERATIVE RELATIONSHIPS AND OPENED NEW CHANNELS FOR INTERACTION. POLISH PRESENTATION AT THE END OF APRIL OF ITS BUYING INTENTIONS FOR THE NEXT THREE YEARS AND ITS DESIRES WITH RESPECT TO CCC CREDITS WAS A FIRST FOR EASTERN EUROPE. POLISH WILLINGNESS TO PROVIDE DETAILED ECONOMIC DATA INCLUDING FORWARD ESTIMATES IS A SIGNIFICANT DEPARTURE FROM PREVIOUS PRACTICE AND WILL DO MUCH TO ASSIST USDA IN PREPARING ACCURATE SUPPLY/DEMAND ESTIMATES AND TO ENSURE THAT COMMODITIES ARE AVAILABLE TO MEET EXPORT DEMAND. USDA HOPES TO UTILIZE THE PRECEDENT OF THE POLISH JOINT STATEMENT AS A MODEL FOR OTHER COUNTRIES IN EASTERN EUROPE, AND, IF NEGOTIATIONS ARE SUCCESSFUL, HOPES TO USE EASTERN EUROPEAN WILLINGNESS TO SUPPLY FORWARD ESTIMATES TO DEMONSTRATE TO THE SOVIETS THAT PROVISION OF THIS TYPE OF DATA WOULD OPERATE TO THE MUTUAL ADVANTAGE OF ALL COUNTRIES CONCERNED. CARE MUST BE TAKEN NOT TO EMBARRASS THE POLES VIS-A-VIS THE SOVIETS AS THIS EFFORT MOVES FORWARD.

16. THE POLISH REQUEST FOR 205 MILLION DOLS IN CCC

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CREDITS FAR EXCEEDS WHAT MAY BE AVAILABLE (THE TOTAL BUDGET FOR FY 1976 IS 450 MILLION DOLS), BUT IF SUPPLIES OF COMMODITIES ARE AS ABUNDANT AS EXPECTED, THE TOTAL FOR POLAND SHOULD APPROACH 75 MILLION DOLS. (SINCE 1962 A TOTAL OF 259 MILLION DOLLARS IN CCC CREDITS HAVE BEEN EXTENDED. 47 MILLION DOLS WERE AUTHORIZED IN FY 1975, 16.8

MILLION DOLLARS WERE UTILIZED AND THE BALANCE WILL BE CARRIED OVER INTO FY 1976.) REQUESTS IN ADDITION TO THE 75 MILLION DOLS WILL BE ENTERTAINED WHEN THE SUPPLY AND BUDGET SITUATIONS ARE CLARIFIED LATER THIS SUMMER AND IN THE FALL. ALTHOUGH WE CANNOT MEET ALL THE POLISH REQUESTS FOR CREDIT, PROVISION OF CREDITS IN THE NEIGHBORHOOD OF 75 MILLION DOLS OR MORE SHOULD BE SUFFICIENT TO SECURE OUR EXPORT MARKET AND SHOULD MEET POLISH ASPIRATIONS FOR CREDIT AND FOR RECOGNITION THAT WE VALUE THEM AS A MARKET. WE ARE WILLING TO COMMIT A MAJOR PORTION OF AVAILABLE CREDITS TO FACILITATE TRADE AND MAINTAIN THE WARM RELATIONS WHICH HAVE DEVELOPED OVER THE PAST SEVERAL YEARS.

17. PL-480 FUNDED RESEARCH IN POLAND HAS BEEN ADVANTAGEOUS TO BOTH COUNTRIES AND SHOULD CONTINUE. POLAND DESIRES BROADER COOPERATION BETWEEN THE POLISH VETERINARY SERVICE AND APHIS AND HAS ASKED USDA ASSISTANCE IN OBTAINING GRANTS FOR POLISH SCIENTISTS TO STUDY FOOD TECHNOLOGY IN THE U.S. EVERY EFFORT SHOULD BE MADE TO BE RESPONSIVE TO THE POLES IN THESE TWO AREAS.

18. EXIM BANK (EIB) BELIEVES THE STRONG ENERGY, NATURAL RESOURCE AND AGRICULTURAL BASE OF THE POLISH ECONOMY ALLOWS CONSIDERABLE FLEXIBILITY IN CONSIDERATION OF ADDITIONAL CREDIT APPLICATIONS. CURRENT EIB EXPOSURE IS APPROXIMATELY 125 MILLION DOLS AND IS EXPECTED TO INCREASE IN COMING MONTHS. PRESENT APPLICATIONS UNDER CONSIDERATION INVOLVE A FORGE AND FOUNDRY HAVING IN AGGREGATE U.S. CONTRACT VALUE OF 200 MILLION DOLS (EIB CREDIT APPROXIMATELY 100 MILLION DOLS) AND A GM VAN PLANT HAVING A CONTRACT PRICE OF 300 MILLION DOLS (CREDIT OF 135 MILLION DOLS AND LOCAL COST GUARANTEE OF 45 MILLION DOLS REQUESTED EIB NOTES THAT THE POLES ARE VERY CONSCIOUS OF THEIR HARD CURRENCY DEBT AND THEREFORE ARE USING EXPORT ARRANGEMENTS

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(I.E., NORTON, GM) WHICH ALLOW THE SELF-LIQUIDATION OF A PROJECT'S FOREIGN EXCHANGE COSTS THROUGHSALES TO HARD CURRENCY COUNTRIES.

19. RESOURCES. ALTHOUGH THE PRESENT POLITICAL CLI-

MATE IN POLAND PROVIDES UNIQUE OPPORTUNITIES FOR EXPANDED
POLITICAL REPORTING, THE BUREAU HAS NOT HAD PROGRAM POSI-
TIONS TO ALLOCATE TO EMBASSY WARSAW. EUR WVLL SEEK, IF
POSSIBLE, TO REPROGRAM AN OFFICER FOR THIS PURPOSE.
EURWILL, IN ADDITION, REVIEW WITH OES THE REQUIREMENT
FOR ANOTHER AMERICAN IN THE SCIENCE ATTACHE'S OFFICE. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ANNUAL REPORTS, FOREIGN POLICY POSITION, POLITICAL SUMMARIES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE165218
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/EE:APBRAINARD:DG
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750243-0534
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197507105/baaaapex.tel
Line Count: 333
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2003 by izenbei0>; APPROVED <20 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: PFOR, PL, US
To: WARSAW
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006